Standard Bulletin

Club News

Setting the Standard for Service and Security

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In this edition

Club board meeting
The boards of The Standard Club Ltd and its subsidiaries met on 29 January 2013 in Paris. These are the topics that the boards considered.

Strategy and business plan
The boards reviewed the club's strategy and business plan, which had been considered in draft at the previous meeting. The club remains focused on supporting its members and their insurance needs through the provision of service-driven P&I insurance, including developing the range of services and covers that the club provides.

New director
Stefano Goberti from Saipem S.p.A. was appointed to the board of The Standard Club Ltd. At the same time, the board said farewell to Bill Thomson, who has served on the board for many years and who brought to the board his invaluable banking and investment experience.

Renewals
Renewals are well under way, but it is too early to give any indication of the likely outcome. The club is conscious of the tough trading conditions facing nearly all members and that extra insurance costs and, in particular, the extra reinsurance costs, are difficult to bear. We are trying to balance this with the need to keep the club strong and healthy.

Rules
The meetings of the members, which coincided with the board meetings, approved the rule changes and the changes to the companies' articles.

Finances
The club remains well financed and, while we expect this year to produce a modest underwriting deficit, the investment performance has so far been relatively strong. We currently forecast that there will be a small increase in the club's free reserves at the year end.

Claims
While the club's own claims in this policy year have been in line with expectations, this has been a particularly heavy year for Pool claims; in fact, these are at a record level for this stage of the year. This cost can be absorbed within the existing overall claims forecasts but is a negative factor for the future.

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Limits on cover
The current cover limits for owners, charterers and for specific risk types were maintained for the forthcoming policy year.

Release calls
The boards have set an initial release call margin percentage of 10% of ETP for the forthcoming policy year, which will be reviewed as the year progresses in the light of risk factors relating to claims and other developments. An explanation of the release call methodology will be contained in this year's annual report.

Certification
The club is now providing blue cards for those members who need them to comply with the EU PLR. The club sees provision of this type of documentation as a core service to the membership.

Solvency II
Although the timescale for the implementation of Solvency II by the European regulatory authorities continues to slip, there is no doubt that much of the content of the Solvency II directive is now in any event considered to be best practice for insurance company operations in the EU. Accordingly, the club continues to develop its corporate governance, financial, risk management and internal control disciplines in order to be Solvency II compliant.

P&I and CAR insurance

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Introduction
The *offshore forums* in London and Singapore sought to raise awareness of the contracting pitfalls and potential gaps between offshore Construction All Risks (CAR) cover and P&I entry. This article summarises these discussions with the aim of identifying some of the gaps that may attract risk to a member's balance sheet.

Offshore marine activity in 2012 was marked by an upturn which the club noted in the *Standard Bulletin Offshore Special Edition*. The surge coincided with the aftermath of *Deepwater Horizon* and the considerable exposure absorbed by the oil companies to upstream losses. However, the after-effects of this loss have also been felt in offshore construction risks and associated contracting.

Although individual experiences varied from member to member, there was a widely shared view expressed at both forums that the current indemnity regimes employed in the offshore construction sector can be inefficient and uncertain.

Offshore construction operations
From the club's perspective, offshore construction operations typically fall into three categories:
A. Fixed platform construction and associated subsea field development (including float-over, lift-on, pipe- or cable-lay operations, subsea installation and windfarm construction).
B. FPSO navigation from yard to field (whether under own steam, wet tow or dry tow), including hook-up, installation and pre-production testing up to point of delivery to the ultimate client.
C. Maintenance or servicing of oil field infrastructure (including maintenance, subsea and ROV operations).

Construction All Risks cover
In scenarios A and B, the client or the principal contractor will have taken out a CAR policy to cover the items insured. Usually this is under a WELCAR 2001 form. The limits of cover will depend on the value of the sums insured, but for significant offshore field developments this may exceed and stretch energy insurance market capacity.

The WELCAR form is designed to provide coverage from the commencement of construction operations, including the initial design phase, through the period of onshore fabrication, including installation offshore and finally completion. The policy provides coverage in respect of first-party property for all risks in relation to loss or damage of the '*contract works*' as defined. Such policies also provide an element of liability coverage in respect of third-party liabilities arising out of the construction activity.